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DE RUEHNE #0694/01 0991019  
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FM AMEMBASSY NEW DELHI  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6079  
RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RUCPDO/DEPT OF COMMERCE WASHDC IMMEDIATE  
RHEHNSC/NSC WASHDC  
RUCNDT/USMISSION USUN NEW YORK 7828  
RUEHGV/USMISSION GENEVA 8233  
RUEKJCS/JOINT STAFF WASHDC  
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
RUEHCI/AMCONSUL KOLKATA 3740  
RUEHCG/AMCONSUL CHENNAI 4526  
RUEHBI/AMCONSUL MUMBAI 3566

UNCLAS SECTION 01 OF 03 NEW DELHI 000694

STATE FOR SCA/INS JASHWORTH AND SCA/RA MURENA  
USDOC FOR 4530/ITA/MAC/OSA/LDROKER/ASTERN  
DEPT PASS TO USTR FOR SOUTH ASIA - CLILIENTFELD/AADLER  
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA - MNUGENT  
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN

SENSITIVE  
SIPDIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [EAGR](#) [PREL](#) [PGOV](#) [PTER](#) [IN](#)  
SUBJECT: BHARAT BALLOT 09: THE INDIAN RURAL VOTER

REF: NEW DELHI 572

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¶1. (SBU) Summary: It is conventional wisdom in India that the rural voter is more important than the urban voter, mainly because there are more than twice as many rural as urban residents in India and polling in recent years has indicated that rural voters are more likely to vote than urban voters. However, too often rural is conflated with farmer, and with poor, subsistent, or illiterate. Yet, half of rural GDP is non-agricultural, and half of India's middle-income households come from the countryside. As India - and its political parties - prepare for national elections, Post considers the many dimensions to the rural voter and questions the capacity to effectively target such a voter, given the wide variability in rural experience. End summary.

#### Most of India Lives Outside the Cities

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¶2. (U) India is still predominantly rural, with 71% of Indians living in rural areas, compared to a world average of 50.6%. In comparison, the UN reports that 63% of Africa's population is rural, 58% of China is rural, and 22% of Latin America is rural. Even tiny, mountainous Bhutan is more urbanized, in percentage terms, than India. With 828 million rural habitants, India also has the largest rural population in the world, according to the UN, accounting for one-fourth of the world total.

¶3. (U) India's population - and population growth - is concentrated in the northern Hindi-speaking belt of states. Indian government data shows that roughly half of India's population in 2006 was found in just five states: Bihar, Uttar Pradesh, Rajasthan, Orissa and Madhya Pradesh. Historically, these are among the poorest states, although several have been showing improved growth rates in recent years, especially Rajasthan. In these five states, rural rates are even higher than the India average. For example, in Uttar Pradesh, 80% of residents are in rural areas, while 90% of Bihar is rural.

Irrigation, Crop Subsidies  
Affect Regions Differently

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¶4. (U) Most of India's states receive their annual rainfall during the summer monsoon (June-September), which has historically been below average once every four or five years, wreaking havoc on the incomes of a large number of Indian farmers, since only 40% of sown land is irrigated. Like many things in India, irrigation is concentrated - mainly in the northern grain basket states of Punjab, Haryana (which were also major Green Revolution implementers in the 1960s) and Uttar Pradesh. Because of irrigation and climactic conditions, farmers in Punjab and Haryana are able to grow two crops (mainly wheat and rice) a year, making them among the richest farmers in India. Most farmers of oilseeds, pulses and coarse cereals production, confined mostly to Western and Central India, do not have irrigated land.

¶5. (U) The central government provides a price guarantee, called a minimum support price or "MSP" to certain crops, mainly grains, coarse cereals, pulses, cotton, and sugarcane. Under the UPA government, these have increased significantly - in the case of wheat, the MSP has risen by two-thirds from Rs 640/quintal in marketing year 2005/06 to Rs 1080/quintal in 2009-2010. However, fruit and vegetable farmers - who sown 70% as much land as the prototypical wheat farmer - receive no MSP.

#### Government Program Beneficiaries

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¶6. (U) Across India, a substantial portion of rural residents do not own any land and thus are not directly benefited by higher MSPs or monsoon-affected yields, although many derive their income as agricultural laborers and thus benefit from more work during good harvest years. According to the latest government household survey data and NCAER data, collected in 2004-05, two-fifths of rural India is landless. As such, they have not directly benefited from the United Progressive Alliance (UPA)'s recent farm debt waiver program,

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higher MSPs, irrigation schemes or fertilizer subsidies. Landless workers are, however, key beneficiaries of the UPA's National Rural Employment Guarantee program, which promises 100 days of minimum-wage work to every rural household (reftel).

¶7. (U) Marginal farm holdings (with less than one acre) constitute nearly one-third of India's rural population, and although they and small farmers with two to five acres of land (144% of rural households) were the targets of the farm debt waiver program, it has been noted that much of their debt may be ineligible since they have borrowed money from informal money lenders for weddings or medical costs, rather than with formal banks for farm inputs.

#### Rural Non-Farm Income

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¶8. (U) Many government programs have equated rural India with farming, and thus missed that an increasing share of rural GDP is coming from non-farm activity. This is because 70% of rural Indians own little or no land; turning instead to livestock (one-fourth of agricultural output) and/or non-agricultural employment in the countryside. Using both government and its own data, local think tank National Council for Applied Economic Research (NCAER) estimates that non-farm income from industry and services in the rural economy has been growing steadily over the decades and this fiscal year (April 2008 to March 2009), it exceeds agricultural income in rural GDP for the first time. NCAER has estimated that in 2008-09, rural GDP will consist of 41.6% agriculture, 30.2% industry, and 28.2% services. By contrast, in 1993-94, 58% of rural GDP came from agriculture, and in 1999-2000, 51.4% came from agriculture.

¶9. (U) This research links with other, joint analysis conducted by NCAER and Future Capital Research, indicating linkages between rising urban demand growth and GDP output in the rural areas. Their study, "Is Indian Urban Growth Good for Rural India?" estimates that a 100-rupee rise in urban consumption generates a 39-rupee rise in rural incomes, as economic activity there grows to serve India's urban markets. They further find a 10% increase in urban expenditures leads to a 5% increase in rural non-farm employment.

All told, the rural economy accounts for more than 40% of all manufacturing in the country. These economic linkages mean that rural India benefits enormously from improvements and expansion of the road and electricity networks. The urban-rural ties also explain the rapid growth in rural sales of cellular phones - recently comprising 60% of all-India sales - they tie rural businesses to their markets in nearby towns and cities. The research also indicates that rural incomes are growing at a faster rate than urban incomes, contradicting the view that rural India is getting further behind cities. Indeed, there are almost as many middle-income households in rural India as there are in urban India - 27 million to 29 million.

Comment

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¶10. (SBU) After being stuck in a centuries-old farming economy, much of rural India - per force - is diversifying into other sources of income, either independent of farming or to supplement volatile and often meager agricultural incomes. The increasing percentage of agricultural income coming from livestock reflects that more Indians can afford milk and eggs. Improved and expanded road and mobile phone networks now permit more workers in rural India to produce goods and services for nearby towns and cities. While millions in India's countryside will still need to move to towns and cities to more evenly distribute labor and land resources, India's diversifying rural economy is helping tens of millions of landless or marginal farmers improve their livelihoods and escape poverty.

¶11. (SBU) What these large swaths of voters want are continued improvement in infrastructure and education (which will be considered septel), not handouts based on a one-dimensional - and increasingly mythical - farmer. A villager in Rajasthan may value marketing programs to expand sales of handicrafts or extension services to improve their livestock health and productivity, while

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someone in rural Bihar needs flood control and a farmer in Punjab needs more warehouses to store overflowing grain harvests. The UPA - or any ruling government - could better target its programs and electoral strategies if it realizes that the old notion of the "common man" as the subsistence farmer is increasingly a thing of the past.

BURLEIGH